IAS 8: Disclosure Requirements for Retrospective Application of New Standards

Excerpt, IFRS Discussion Group Report on Meeting – January 12, 2012

The IASB has issued a number of new and revised IFRSs that require retrospective adoption in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Paragraph 28(f) of IAS 8 states:

> "When initial application of an IFRS has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:
>
> ….
>
> (f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
>
> (i) for each financial statement line item affected; and
>
> (ii) if IAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share."

The issue considered by the Group was what information should be disclosed to meet the requirements in paragraph 28(f) of IAS 8, specifically in the context of the new standards that have an effective date of January 1, 2013.

Fact Pattern:

> A parent company with a December 31 year end is required to adopt IFRS 10 *Consolidated Financial Statements* on January 1, 2013.
>
> The parent company determines that an entity that it consolidated for the years ending December 31, 2012 and 2011 under IAS 27 Consolidated and Separate Financial Statements should not be consolidated under IFRS 10.

In this fact pattern, questions arise about what information the entity needs to collect in 2013 to meet the disclosure requirement in paragraph 28(f) of IAS 8 for the "current period".

The Group's Discussion

Several Group members noted that paragraph 28(f) of IAS 8 requires the parent company to provide information about the entity that is no longer being consolidated in 2013. However, to do so, the parent company would need to continue to run dual reporting systems in 2013 (in addition to running dual reporting systems in 2012 to provide comparative figures under IFRS 10).

Some Group members expressed concern that the cost of requiring the parent company to maintain two reporting systems for 2013 exceeds the benefit of providing this information to the users. These group members noted that this information may not be useful to the financial statement users, in part, because the 2013 financial statements are required to apply IFRS 10 consistently for the current and comparative year. Some Group members also expressed concern that the cost to meet this disclosure requirement upon adopting other new standards, such as IFRS 9 *Financial Instruments*, could be prohibitive.

Other Group members noted that the information about what the financial statements would report if the entity was consolidated in 2013 is useful information for users that do not necessarily have the ability to understand the effect of significant changes to accounting policies. Some noted that the disclosures required by paragraph 28(f) of IAS 8 are relevant to users and the information should not be omitted without careful consideration.

Group members discussed whether an argument that those disclosures are not required can be based on impracticability or materiality. Although Group members noted that those arguments may be appropriate in some circumstances, the purpose of the Group's discussion was to focus on what entities are required to provide to meet the disclosures required in paragraph 28(f) of IAS 8.

Group members questioned whether transitional relief from those disclosure requirements was considered by the IASB in developing IFRS 10 or the IASB's recently issued Exposure Draft, "Transition Guidance (Proposed Amendments to IFRS 10)." The Group directed the AcSB staff to obtain additional information from the IASB. The Group expects to consider this additional information and decide whether the AcSB should bring this issue to the attention of the IFRS Interpretations Committee or the IASB at a future meeting.